

## **Rosetta Stone Inc.**

### **Corporate Governance Guidelines**

*Last Updated and Approved November 14, 2018*

The business and affairs of Rosetta Stone Inc. (the “*Company*”) shall be managed under the direction of the Company’s Board of Directors (the “*Board*”). The Board has adopted these Corporate Governance Guidelines to assist it in the exercise of its responsibilities. These Corporate Governance Guidelines are not intended to change or interpret any Federal or state law or regulation, including the General Corporation Law of the State of Delaware, or the Second Amended and Restated Certificate of Incorporation, or the Third Amended and Restated By-laws of the Company. These Corporate Governance Guidelines are subject to modification from time to time by the Board. A current version of the Corporate Governance Guidelines shall be posted on the Company’s website at [www.rosettastone.com](http://www.rosettastone.com).

#### **DIRECTOR QUALIFICATION STANDARDS AND BOARD COMPOSITION**

##### **Independence and Qualifications**

A majority of the members of the Board must qualify as independent directors in accordance with the applicable provisions of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and the rules and regulations promulgated thereunder, the applicable rules of the New York Stock Exchange (subject to applicable phase-in periods provided for in such rules), and the Policy Governing Director Qualifications and Nominations adopted by the Board as categorical standards to assist in making such assessments, a copy of which shall be posted on the Company’s website at [www.rosettastone.com](http://www.rosettastone.com). The Board shall make an affirmative determination at least annually as to the independence of each director based upon the recommendation of the Corporate Governance and Nominating Committee. The Board shall take into account all relevant factors in determining independence.

The Corporate Governance and Nominating Committee of the Board shall be responsible for recommending to the Board candidates for election to the Board in accordance with the criteria set forth in the Policy Governing Director Qualifications and Nominations and in these guidelines. The Board shall be responsible for filling vacancies on the Board that may occur between annual meetings of stockholders. The Corporate Governance and Nominating Committee of the Board is responsible for reviewing the qualifications and independence of the members of the Board and its various committees on an annual basis, as well as the composition of the Board as a whole. This assessment will include each director’s qualification as independent as well as consideration of skills and experience in the context of the needs of the entire Board.

##### **Size of the Board**

The size of the Board is subject to adjustment in accordance with the Company’s certificate of incorporation and bylaws. For example, it may be desirable to increase the size of the Board in order to accommodate the availability of an outstanding candidate for director. The Corporate Governance and Nominating Committee shall periodically review the size of the Board and recommend any proposed changes to the Board.

##### **Chairman of the Board and Lead Independent Director**

The Board believes it is important to retain its flexibility to allocate the responsibilities of the offices of the Chairman of the Board and the Chief Executive Officer in a way that is in the best interest of the Company at any given point of time. The Board may make a determination as to the appropriateness of its current policies in connection with the recruitment and succession of the Chairman of the Board and/or the Chief Executive Officer.

The Board appoints one of the directors as Chairman of the Board. The current Chairman of the Board is not independent under the rules of the New York Stock Exchange. In the future, the Chairman of the Board may or may not be an individual who is independent under the rules of the New York Stock Exchange (and may or may not be the same individual as the Chief Executive Officer). At any time that the Chairman of the Board is not an individual who is independent under the rules of the NYSE, the Board will appoint a Lead Independent Director elected by the independent directors. The Lead Independent Director has authority to: (i) preside at all meeting of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors; (ii) serve as a liaison between the Chairman of the Board and the independent directors; (iii) approve information sent to the Board; (iv) approve meeting agendas for the Board; (v) approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; and (vi) call meetings of the independent directors.

### **Other Directorships**

The Company recognizes the substantial time commitments attendant to Board membership and expects that the members of its Board be fully committed to devoting all such time as is necessary to fulfill their Board responsibilities, both in terms of preparation for, and attendance and participation at, meetings. As a result, the Corporate Governance and Nominating Committee shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee or a director is a member. Without the prior approval of the Board, a director who is the chief executive officer of a public company may not serve on more than two outside boards (three total boards including his or her own board) and any other director may not serve on more than five public company boards (including the Board of the Company). Directors should advise the Chairman of the Board and the Chairman of the Corporate Governance and Nominating Committee in advance of accepting an invitation to serve on the board of directors of another public or private company or taking a significant committee assignment on another board of directors, in order for the Company to confirm the absence of any actual or potential conflicts of interest. The Corporate Governance and Nominating Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board membership.

In addition, in recognition of the enhanced time commitments associated with membership on a public company's audit committee, and in accordance with New York Stock Exchange guidelines, if a member of the Audit Committee serves on the audit committees of more than three public companies, the Board must first determine that such simultaneous service would not impair the ability of such member to effectively serve on the Company's audit committee. The Company shall disclose any such determination in its annual proxy statement.

### **Change of Status**

Directors are expected to report changes in their principal occupations, and business or professional affiliations or positions of responsibility, including retirement, to the Chairman of the Board and the Chairman of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee shall evaluate the continued appropriateness of Board and committee membership under the new circumstances. A director should offer to resign from the Board and any Board committees upon which such director serves if the Corporate Governance and Nominating Committee concludes that the director no longer meets the Company's requirements for service on the Board. In order to meet the Company's regulatory obligations and applicable filing deadlines, directors shall provide the notification described above in advance and as soon as practicable.

### **Term Limits**

The Board does not generally favor term limits for directors. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they carry the disadvantage of losing the contribution

of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, to provide an increasing contribution to the Board and the Company. The Board regularly reviews the strengths and weaknesses of the Board as a whole, and each director individually, through the Corporate Governance and Nominating Committee's process of recommending new directors for appointment to the Board and incumbent directors for re-election. Therefore, the Corporate Governance and Nominating Committee will annually review each director's continuation on the Board to, among other things, allow each director a convenient opportunity to confirm his or her desire to continue serving as a Board member.

### **Additional Qualification Standards**

From time to time, the Board or the Corporate Governance and Nominating Committee may establish additional qualifications for directors, taking into account the composition and expertise of the entire Board.

## **DIRECTOR RESPONSIBILITIES**

### **Business Judgment and Indemnification**

The Board acts as the ultimate policy-making and governing body of the Company and advises and oversees management, which is responsible for the day-to-day operations and management of the Company. In fulfilling these roles, directors should exercise their business judgment in good faith to act in what they reasonably believe to be in the best interests of the Company in a manner consistent with their fiduciary duties. In discharging their responsibilities, directors are entitled to rely on the honesty and integrity of their fellow directors and of the Company's executive officers, outside advisors, and outside auditors. Directors shall be entitled to have the Company purchase reasonable Director's and Officer's liability insurance on their behalf, and to the benefits of indemnification to the fullest extent permitted by law, the Company's by-laws, and any indemnification agreements.

### **Meetings and Participation at Board Meetings**

There shall be at least four regularly scheduled meetings of the Board each year. Directors are expected to regularly attend meetings of the Board, and of all Board committees upon which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company.

In order for the Board to exercise fully its oversight functions, management shall provide the Board with access to information regarding the Company and the markets in which the Company operates. This information may come from a variety of sources, including management reports, security analysts' reports, information regarding peer performance, interaction with senior management at Board meetings and visits to Company facilities. Any written materials which would assist directors in preparing for a Board or committee meeting shall be distributed to the directors in advance of the meeting, to the extent possible. To prepare for such meetings, directors should review the materials that are distributed to directors in advance of those meetings.

### **Company Performance and Corporate Strategy**

The Board shall review the Company's financial performance on a regular basis at Board meetings and through periodic updates, which may include a particular focus on peer and competitive comparisons. These reviews shall include the views of management as well as those of investors and securities analysts, where appropriate.

The Board shall also review and approve the Company's operating budget for the following year. The Board shall also review on a regular basis the Company's strategic, competitive and financial performance, which may be on both an absolute basis and in relation to the performance, practices and policies of its peers and competitors.

### **Matters Considered**

The Chairman of the Board, in consultation with the Lead Independent Director, if any, shall set the length and agenda for each meeting of the Board and the Chairman of each Board committee shall set the length and agenda for each meeting of the applicable committee. Directors are encouraged to suggest agenda items for each meeting and may raise for consideration at meetings other matters not on the agenda that the director considers worthy of discussion. During at least one Board meeting each year, the Board will review the Company's long-term strategic plans and the principal issues that the Company may encounter in the future.

### **Meetings of Outside Directors**

The Board and each of the standing committees will schedule regular executive sessions where non-management directors meet without management participation. If the non-management directors include any directors who are not independent directors, at least one executive session will include only independent directors. The Chairman of the Board, if an independent director, or the Lead Independent Director shall preside over each executive session of the Board. The Audit Committee will also meet separately in executive sessions with the independent public accountants and any internal auditors.

### **Communications**

The Board believes that Company management generally should speak for the Company. It is suggested that each director shall refer all inquiries from institutional investors, analysts, the press or customers to the Chief Executive Officer or his or her designee.

Interested parties may contact the Board or individual directors by delivering any inquiries, items for discussion, or other materials to their attention c/o the Company's General Counsel at 1621 North Kent Street, 12<sup>th</sup> Floor, Arlington, Virginia 22209. These submissions are monitored by the Company's General Counsel, who will periodically review these submissions and forward messages to members of the Board, as appropriate. Responses to any such submissions will be at the discretion of the copied Board member(s) and/or the General Counsel. Messages may also be referred to other departments within the Company. The Company generally will not forward to the Board any communication that it determines to be primarily commercial in nature, that relates to an improper or irrelevant topic, or that requests general information about the Company.

### **Director Attendance at Annual Meetings of Stockholders**

Directors are encouraged to attend the Company's annual meeting of stockholders. A director who is unable to attend the Company's annual meeting of stockholders is expected to notify the Chairman of the Board.

## **BOARD COMMITTEES**

### **Committees and Members**

The Company shall have an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee. All of the members of these standing committees shall be independent directors under the rules of the New York Stock Exchange, the Sarbanes-Oxley Act of 2002 and any related rules promulgated by the Securities and Exchange Commission and shall satisfy such other criteria set forth

in the respective charters of such committees. Audit Committee members shall also satisfy the financial literacy, experience and independence requirements of Section 10A(m)(3) of the Exchange Act and the rules and regulations promulgated thereunder, applicable stock exchange rules and any other regulatory requirements. In general, Board committee members will be appointed by the Board with consideration of the desires and preferences of individual directors. Due consideration will be given to rotating committee members periodically, but rotation will not be mandated as a policy because the Board believes there are significant benefits attributable to continuity and experience gained in service on a committee over time and emphasis will instead be placed on expertise, past performance, and director preference.

### **Committee Charters**

Each Board committee shall have its own charter that has been approved by the Board as a whole. The charters shall set forth the purposes, goals, responsibilities, and authority of the committees (consistent with the Company's by-laws or applicable resolutions of the Board), as well as certain specific qualifications for committee membership and procedures for committee member appointment and removal. In addition, the committee charters shall address committee structure and operations as well as committee reporting to the Board. The charters shall also provide that each committee will annually evaluate its own performance and report the results of this evaluation to the full Board. The charters are posted on the Company's website.

### **Committee Meetings**

The Chairman of each Board committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. Minutes of each meeting shall be recorded and filed in the records of the Company.

### **Additional Committees**

The Board may establish, from time to time, such additional committees as it deems necessary or appropriate and may delegate to those committees such authority permitted by applicable law and the Company's by-laws as the Board deems appropriate.

## **ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS**

### **Full Access**

The Company shall provide each director with complete and free access to the executive officers and employees of the Company and to its internal and outside counsel and auditors as well as to the Company's books, records, and facilities, subject to reasonable advance notice to the Company. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and does not inappropriately disclose any confidential or sensitive information in the possession of the director. The Corporate Governance and Nominating Committee may restrict or limit access to particular information by a particular director if that director has a relationship with a competitor, supplier, business partner, or other entity, which relationship makes the unlimited or unrestricted access of that information by that director potentially harmful to the Company. Any such restriction or limit on access to information by a particular director shall be reported by the Corporate Governance and Nominating Committee to the full Board.

### **Non-Director Attendance at Board Meetings**

The Board welcomes regular attendance at each Board meeting of the appropriate representatives of management of the Company as shall be determined from time to time, subject to the Board's right in all

instances to meet in executive session or with a more limited number of management representatives. If the Chief Executive Officer desires to have additional Company personnel attendees at Board meetings on a regular basis, this suggestion should be brought to the Board for consideration.

### **Independent Advisors**

In performing its duties, the Board and each of the Board committees, to the extent set forth in the applicable committee charters, shall have the authority to obtain advice and assistance from and retain, at the Company's expense, independent legal, accounting, and other advisors or resources.

### **DIRECTOR COMPENSATION**

The Board will conduct an annual review of and, taking into consideration the recommendations of the Compensation Committee, will determine the form and amount of director compensation, including cash, equity-based awards, and other director compensation and benefits, for service on the full Board and on Board committees. In determining director compensation and benefits, the following should be considered: (i) the performance of the Board in light of corporate goals and objectives and set director compensation based on such evaluation; (ii) fair and competitive compensation for the time commitment to appropriately discharge the responsibilities required for a company of similar size and scope; (iii) alignment of the director's interest with the long-term interests of the Company; and (iv) a transparent and readily understandable compensation program.

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

### **ETHICS AND CONFLICTS OF INTEREST**

Directors are expected to act ethically and in a manner that brings credibility to the Company. Each director shall adhere to the Company's Code of Ethics and Business Conduct as in effect from time to time, which is published on the Company's website. The Board and the Audit Committee are responsible for overseeing the implementation and effectiveness of the Company's Code of Ethics and Business Conduct. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the Chairman of the Board, and if the actual or potential conflict involves the Chairman of the Board, the director shall inform the Chairman of the Corporate Governance and Nominating Committee, or if the Chairman of the Board is also the Chairman of the Corporate Governance and Nominating Committee, the director shall inform the other members of the Corporate Governance and Nominating Committee. All directors will recuse themselves from any discussion or decision affecting their personal, business, or professional interests in a manner different than the general interests of the Company and its equity owners. The Corporate Governance and Nominating Committee will resolve any questions involving a conflict of interest relating to a director other than a director who is a member of such committee. The Board shall resolve any conflict of interest involving a member of the Corporate Governance and Nominating Committee.

### **Prohibition on Loans to Directors and Executive Officers**

The Company will not, directly or indirectly, including through any subsidiary, extend or maintain credit, or arrange for the extension of credit in the form of a personal loan, to or for any director or executive officer (or equivalent thereof) of the Company.

### **Ethics Hotline**

Complaints from employees of the Company regarding (i) accounting and internal controls, (ii) ethics and compliance issues, (iii) employee relations and human resources, (iv) loss prevention and asset protection, (v) environmental health and safety, or (vi) any activity that appears to violate applicable laws, rules,

regulations or the Company's Code of Ethics and Business Conduct, may be submitted to the Rosetta Stone confidential "Ethics Website" at <http://www.rosettastone.alertline.com> or to the established "Ethics Hotline" at:

- United States: (866)482-5497
- United Kingdom: 0808-234-7051

## **DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

The Board or the Company will establish, or identify and provide access to, appropriate orientation programs, sessions, or materials for newly-elected directors of the Company for their benefit either prior to or within a reasonable period of time after their nomination or election as a director, taking into consideration the prior experience of the newly-elected director as a director of other public companies. Additionally, all newly-elected directors will attend one or more presentations by the Company's executive officers to familiarize such directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Ethics and Business Conduct policy, its principal officers, its internal and independent auditors, and these Corporate Governance Guidelines. The Board or the Company will encourage, but not require, directors to periodically pursue or obtain appropriate programs, sessions, or materials as to the responsibilities of directors of public companies.

## **MANAGEMENT EVALUATION AND SUCCESSION**

### **Review of the Chief Executive Officer and Executive Officers**

The Compensation Committee, the Corporate Governance and Nominating Committee and the Board will conduct an annual review of the Chief Executive Officer's performance, as set forth in their charters. The Compensation Committee shall also evaluate the compensation of the Chief Executive Officer and the other executive officers of the Company and shall present its findings to the full Board. The Board will review the Compensation Committee's report regarding such performance in order to confirm that management's compensation is satisfactory in light of performance and that management is providing effective leadership for the Company in the long- and short-term.

### **Succession Planning**

The Corporate Governance and Nominating Committee or a sub-committee to which it has delegated, to the extent practicable, will plan for and periodically report to the Board on succession planning for the position of Chief Executive Officer. At the appropriate time, the entire Board will work with the Corporate Governance and Nominating Committee to nominate and evaluate potential successors to the Chief Executive Officer. The Chief Executive Officer should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals. Any succession planning shall include a review of the ability of other executive officers in the Company or directors to assume delegation of authority to perform duties of the Chief Executive Officer or other senior officers on a temporary or interim basis should any of such officers unexpectedly become unable to perform their duties.

## **ANNUAL PERFORMANCE EVALUATION OF THE BOARD**

The Board, led by the Corporate Governance and Nominating Committee, shall establish and conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance and Nominating Committee shall oversee the evaluation with each director completing a questionnaire developed by the Corporate Governance and Nominating Committee with respect to various criteria. This process shall also include annual self-assessments by each Board committee, relying on a

similar review process to that used by the Board, with performance criteria for each committee established on the basis of its charter.

The collective performance evaluations shall be compiled by the Corporate Governance and Nominating Committee and shall be presented to the Board for discussion. The full Board will discuss the evaluation report to determine what, if any, action could improve the performance of the Board and Board committees and their contributions to the Company.

#### **AMENDMENT, MODIFICATION AND WAIVER**

These Corporate Governance Guidelines may be amended, modified, or waived by the Board and waivers of these guidelines may also be granted by the Corporate Governance and Nominating Committee, as applicable, subject to the disclosure and other provisions of the Exchange Act, the rules and regulations promulgated thereunder, and the applicable rules of the New York Stock Exchange. The Board, with the assistance of the Corporate Governance and Nominating Committee, as appropriate, shall review these Corporate Governance Guidelines on an annual basis to determine whether any changes are appropriate.